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Message Text

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INFO OCT-01 EA-07 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05

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FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 9227
INFO AMEMBASSY ANKARA
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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: OECD STEEL CONSULTATIONS

1. SUMMARY: NOVEMBER 13-14 AD HOC CONSULTATION ON STEEL WAS CHARACTERIZED BY FRANK EXPOSITION BY EC COMMISSION OF PROBLEMS FACING EC STEEL INDUSTRY AND ITS CONCEPTION OF INTERNATIONAL COOPERATION NEEDED IF INTERNAL MEASURES BEING STUDIED BY EC TO DEAL WITH PROBLEM ARE TO SUCCEED. GROUP HAD USEFUL QUESTION AND ANSWER SESSION, ALTHOUGH ON WHOLE ONLY SMALL NUMBER OF DELS PARTICIPATED IN DISCUSSION. IN CHAIRMAN'S SUMMATION OF RESULTS OF MEETING (SENT BY SEPTEL), PARTICIPATING COUNTRIES EXPRESS SATISFACTION AT USE OF CONSULTATION PROCEDURES, NOTE EC DIFFICULTIES AND ADVERSE EFFECTS WHICH ANY UNILATERAL IMPORT RESTRICTIVE ACTION WOULD HAVE, AND RECOGNIZE AVOIDING SUCH RESTRICTIONS WILL BE FACILITATED BY AN APPROPRIATE EFFORT OF INTERNATIONAL COOPERATION BETWEEN THE COUNTRIES CONCERNED. DELS ALSO AGREED TO CONTINUE AS NECESSARY THE CONSULTATIONS AND INFORMATION EXCHANGE AND REAFFIRMED ADHERENCE TO TRADE PLEDGE. IN PRIVATE MEETING WITH US DEL, EC COMMISSION MADE CLEAR THEY EXPECT NOTHING FROM US, BUT WILL PURSUE BILATERAL CONSULTATIONS WITH SPAIN AND AUSTRIA. END SUMMARY

2. FORMAL DISCUSSION CONCENTRATED ON EXPLANATIONS BY EC COMMISSION REP (LOEFF) OF EC INTENTIONS AND ANSWERS TO QUESTIONS POSED BY OTHER DELS. LOEFF LISTED FOUR OBJECTIVES OF CONSULTATION FROM EC POINT OF VIEW: A) TO MAKE OECD MEMBERS AWARE OF EC INDUSTRY SITUATION; B) TO AVOID UNILATERAL BORDER ACTIONS WHICH WOULD BE OBSTACLE TO TRADE; C) TO GET OTHER COUNTRIES TO ADOPT ATTITUDE OR MEASURES WHICH WOULD ALLOW INTERNAL MEASURES TAKEN BY EC TO BE EFFECTIVE, AND D) TO REQUEST HELP FROM OTHERS IN NOT UN DOMESTIC EC STEEL PRICE LEVELS.
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IN MORE DETAILED EXPOSITION HE SAID EC INTENDED TO IMPLEMENT COMPULSORY PRODUCTION CUTS AND WAS SERIOUSLY STUDYING MINIMUM PRICE REGULATION. MEASURES WOULD BE SHORT-TERM ONLY, LASTING 6 MONTHS INITIALLY AND PERHAPS RENEWED FOR ANOTHER 6 MONTHS.

3. COMMISSION REP EMPHASIZED REPEATEDLY THAT KEY TO SUCCESS OF MINIMUM PRICE MEASURE WOULD BE MAINTENANCE

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OF STATUS QUO WITH RESPECT TO TRADE FLOWS. EC WISHED TO OBTAIN MORAL COMMITMENT FROM OTHERS NOT TO TAKE ADVANTAGE OF SITUATION WHICH MINIMUM PRICE REGULATION WOULD PRESENT BY FLOODING EC MARKET WITH EXPORTS. IF MUTUAL UNDERSTANDING OF PROBLEM COULD BE ACHIEVED IN OECD, EC WOULD THEN TAKE UP SPECIFIC PROBLEMS BILATERALLY WITH INDIVIDUAL COUNTRIES ON BASIS OF RESULTS OF EX POST STATISTICAL MONITORING SYSTEM WHICH EC INTENDED TO IMPLEMENT. CORE OF EC PROBLEM WAS DIFFICULT FINANCIAL SITUATION OF FIRMS RESULTING FROM LOW PRICES, AND COOPERATION OF OTHER COUNTRIES WOULD BE ESSENTIAL IF TEMPORARY PRICE MAINTENANCE MEASURES WERE TO SUCCEED AND UNILATERAL RESTRICTIONS AVOIDED.

4. IN PRIVATE TALKS WITH US DEL BEFORE MEETING, COMMISSION REPS SAID EC INTENDED TO APPROACH SPAIN AND AUSTRIA BILATERALLY AFTER GETTING UNDERSTANDING OF SERIOUSNESS OF EC PROBLEM FROM OECD. COMMISSION REPS SAID JAPANESE WERE NOT A PROBLEM, THAT EC WANTED NOTHING FROM US, AND THAT IT DID NOT INTEND TO APPROACH NON-OECD COUNTRIES AT THIS TIME.

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5. US DEL WELCOMED COOPERATIVE SPIRIT ON PART OF EC IN EMPLOYING OECD CONSULTATION PROCEDURES. HE NOTED US DEL WAS ESSENTIALLY UNINSTRUCTED AND WAS PRESENT TO LEARN AS MUCH AS POSSIBLE ABOUT NATURE OF EC PROBLEM. US REP EXPRESSED CONCERN ABOUT POSSIBLE DIVERSION AND CHAIN REACTION EFFECTS THAT ANY ACTION ON PART OF EC MIGHT HAVE. HE ALSO WARNED THAT GREAT PUBLIC SENSITIVITY ON TRADE MATTERS DURING THIS PERIOD OF ECONOMIC STRESS MEANT THAT RESTRICTIVE ACTIONS BY ONE COUNTRY COULD HAVE BAD EFFECT ON GENERAL TRADE CLIMATE AND ON LIBERALIZATION EFFORTS IN MTN.

6. JAPANESE REP WELCOMED CONSULTATIONS AND EC INTENTION TO AVOID BORDER MEASURES, NOTING POTENTIAL FOR CHAIN REACTION EFFECTS. HE MADE CLEAR, HOWEVER, THAT GOJ VIEW OF FOCUS OF MEETING WAS TO CLARIFY FACTUAL SITUATION IN EC AND THAT JAPANESE POSITIVE AND COOPERA-

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TIVE ATTITUDE WENT NO FURTHER THAN THIS. AUSTRIAN DEL ALSO WELCOMED EC INITIATIVE IN REQUESTING CONSULTATIONS AND EXPRESSED PREPAREDNESS TO COOPERATE WITH EC IN SOLVING PROBLEM.

7. LARGE AND WELL PREPARED SPANISH DEL MADE ACTIVE USE OF CONSULTATION TO QUESTION EC CLOSELY ON ITS CONCEPT OF BILATERAL APPROACHES, ON WHAT WOULD BE DONE ABOUT NON-OECD MEMBERS, AND ON EC WILLINGNESS TO EXERCISE SELF-RESTRAINT ITSELF. ON LATTER POINT EC NOTED IT PROJECTED A 35 PERCENT DECREASE IN ITS OWN EXPORTS AND EXPRESSED WILLINGNESS TO DISCUSS PROBLEMS OTHER COUNTRIES MAY FACE AS RESULT OF EC POLICIES. EC REP ALSO NOTED 75-80 PERCENT OF EC IMPORTS FROM OECD MEMBERS, AND SAID IT WOULD CONSULT WITH NON-MEMBERS IF THEIR TRADE EXCEEDED NORMAL FLOWS. SPANISH REP CONCLUDED BY LIMITED OFFICIAL USE

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SAYING IT WAS IMPORTANT FOR BILATERAL CONTACTS TO TAKE PLACE SO THAT SITUATION COULD BE EXAMINED IN DETAIL, ESPECIALLY WITH REGARD TO SPECIFIC PRODUCTS.

8. PRICES: IN RESPONSE TO US QUERY, EC DEL EXPLAINED REASONS FOR MORE SERIOUS PRICE DECLINE IN EC THAN IN OTHER COUNTRIES IN TERMS OF LACK OF PRICE LEADERSHIP AND GENERALLY HIGHLY COMPETITIVE STRUCTURE OF EC INDUSTRY, WHICH EFFECTIVELY MADE LOWEST FOREIGN BID THE GENERAL EC MARKET PRICE FOR STEEL.

9. SPILLOVER EFFECTS: AUSTRALIAN DEL SUGGESTED THAT DISCUSSION WAS GETTING CLOSE TO SUBJECT OF VRA'S AND WARNED AGAINST SPILLOVER EFFECT WHICH SUCH ARRANGEMENTS COULD HAVE ON MARKETS OF SMALLER COUNTRIES. US DEL ASSOCIATED ITSELF WITH AUSTRALIAN REMARKS, NOTING THE NEED MORE GENERALLY TO CONSIDER THIRD COUNTRY INTERESTS WHEN BILATERAL UNDERSTANDINGS WERE REACHED. EC CONFIRMED IT WAS VERY CONSCIOUS OF POSSIBLE PROBLEMS FOR THIRD COUNTRIES AND SUGGESTED THERE WOULD BE NO SPILLOVER EFFECT IF STATUS QUO TRADE FLOWS WERE MAINTAINED, WHICH WAS EC OBJECTIVE.

10. MONITORING: SECRETARIAT POINTED OUT THAT EC HAD NOT MENTIONED AT THIS MEETING ITS PROPOSAL FOR MULTILATERAL SURVEILLANCE MENTIONED IN THE EC DECISION OF OCTOBER 22. EC REP SAID THERE HAD BEEN LITTLE REACTION TO THIS PROPOSAL AND MAIN EC CONCERN WAS TO ESTABLISH EX POST MONITORING SYSTEM WITHIN EC. US DEL NOTED IT

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COULD NOT AGREE TO ANY EXTRAORDINARY EFFORTS TO COLLECT DATA BUT WOULD COOPERATE IF GROUP DESIRED TO COLLECT READILY AVAILABLE INFO TO THROW FURTHER LIGHT ON STEEL SITUATION AROUND THE WORLD.

11. IN MEETING OF SMALLER DRAFTING GROUP ARRANGED TO AGREE ON CONCLUSIONS OF THE CONSULTATION, MAIN DIVERGENCE OF VIEW WAS BETWEEN EC AND JAPAN, WITH FORMER NEEDING SOME SORT OF OUTCOME TO SESSION AND LATTER FEELING LIMITED BY INSTRUCTIONS TO PURE DISCUSSIONS. US DEL PLAYED MEDIATING ROLE AND GROUP AGREED ON LARGELY FACTUAL DESCRIPTION OF DISCUSSIONS AS "CHAIRMAN'S SUMMARY OF RESULTS OF CONSULTATION", (REPORTED SEPTEL).

12. PROSPECTS FOR EC ACTION INTERNALLY: FRG REPS KUHN AND OLLIG, IN PRIVATE DISCUSSION WITH MEMBERS OF US DEL, SAID COMMISSION HAD DECIDED NOT TO ESTABLISH MINIMUM PRICES THIS YEAR. THEY ADDED HOWEVER THAT IF ECONOMIC SITUATION DID NOT IMPROVE SOON, POLITICAL PRESSURE WOULD PROBABLY FORCE GERMANS, WHO HAD HELD OUT AGAINST THIS ACTION WITHIN EC, TO AGREE THAT MINIMUM PRICES BE IMPOSED EARLY NEXT YEAR. US DELEGATE MADE POINT TO BOTH GERMAN AND FRENCH DELS PRIVATELY THAT ESTABLISHMENT OF MINIMUM PRICE AT HIGH LEVEL COULD OPEN DOOR TO ANTIDUMPING ACTIONS IN US.
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Copy: SINGLE
Draft Date: 14 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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